

# PART 4 – THE BUSINESS OPPORTUNITY

## A. INTRODUCTION

Reclamation is requesting proposals from interested parties for development, management and operation of six concession areas at Lake Berryessa, Solano Project, Napa County, California. Potential Offerors have multiple options on deciding whether to apply for a single individual concession opportunity or a combination including all six (See PART 3 – Section K for more details).

Lake Berryessa is the operating reservoir for Reclamation's Solano Project. Lake Berryessa is located in northeastern Napa County, among the hilly-to-steep slopes of the California Coast Range. It is a 1½-hour drive from Sacramento, a 2 to 3-hour drive from various locations in the San Francisco Bay metropolitan area, and a 1-hour drive from the town of Napa and the Napa Valley. It is served by State Highways 121 from Napa to the south and 128 from Winters (Sacramento and Interstate 5) to the east. Within this 2½ to 3-hour driving distance there are 8 to 10 million people. Lake Berryessa is the largest freshwater body of water within the proximity to Sacramento and the San Francisco Bay Area.

Lake Berryessa is oriented on the map from northwest to southeast and is 26 miles long by 3 miles wide, with 165 miles of shoreline. There is essentially a west and east shore; all seven of the current concession operations are located on the west shore while the east shore is wholly undeveloped with several large private ranch areas bordering Reclamation lands along the shoreline. The total shoreline of Lake Berryessa is within the ownership of Reclamation. There are a few areas on the west shore with private property development within view of the lake. Please view photos on the Lake Berryessa Prospectus web site at <http://www.usbr.gov/mp/berryessa/Prospectus.html>.

Lake Berryessa and the area surrounding it are physically attractive and provide scenic vistas to users both on the shore and from the lake. With the exception of the concession developments and a few small private housing areas, there is no development that impedes or detracts from the views and the general ambiance of being in a remote recreational area. There is an abundance of wildlife at Lake Berryessa and fishing for trout and bass is considered very good.

Some History – In 1948, construction of Lake Berryessa was authorized as part of Reclamation's Solano Project. The Solano Project was authorized for agricultural water supply, municipal and industrial water supply along with incidental flood control benefits. The primary project facility was Monticello Dam, constructed on Putah Creek in 1957. The seven original concession operations were all authorized to begin operations in 1958 and 1959.

For reference, the following list indicates the expiration date (beginning with the earliest and ending with the latest) of each of the six original concession contracts associated with this Prospectus at Lake Berryessa:

- Rancho Monticello Resort (expired June 15, 2008)
- Spanish Flat Resort (expired July 13, 2008)
- Putah Creek Resort (expired August 13, 2008)
- Berryessa Marina Resort (expired August 13, 2008)
- Steele Park Resort (expires May 26, 2009)
- Markley Cove Resort (expires May 26, 2009)

In the nearly 50 years since the current contracts were established, the concession contractors had focused for the most part on the establishment and management of large, long-term trailer villages. Previously apportioned among six concession areas were over 1,200 trailers. This type of use and these specific installations that provided approximately 50 percent of the total revenue for the previous concession contractors has been terminated and must be removed no later than the last day of the subject concession. The future business models for Lake Berryessa will not include private exclusive use. The elimination of this use type and the availability of acreage within the concession areas that is no longer committed to trailers will make available some of the best shoreline areas (in the areas open for development and assigned for concession use) for new development of short-term commercial recreation and support facilities. New development anticipated as outlined in recent planning documents includes:

- Lodging (i.e., cabins, motels, lodges, cottages)
- Food & Beverage
- Houseboat Rentals
- Small Boat Rentals
- RV Parks
- Camping
- Retail Facilities
- Marina Facilities
- Dry Boat Storage

**We recommend visiting the following web site for additional detailed information on the existing and previous facilities including a condition assessment analysis (“Environmental Compliance and Fixed Asset Condition Assessment Report”)** <http://www.usbr.gov/mp/berryessa/Prospectus.html>.

*Throughout the Prospectus, there are suggestions to review the “Environmental Compliance and Facility Condition Assessment Report” at the Lake Berryessa web site (<http://www.usbr.gov/mp/berryessa/Prospectus.html>). This report was contracted by Reclamation and accomplished as a part of the planning process in advance of a Final EIS and ROD preceding this Prospectus. There is a significant amount of information available in this report regarding the physical condition of the concession facilities that existed at Lake Berryessa. The report was finalized in December 2002, and some conditions have changed at some concession locations. Various improvements or corrections occurred as a result of the report, but many of the situations remain the same. Offerors should use the “Environmental Compliance and Facility Condition Assessment Report” as a reference and investigate through formal questions or on-site observations any particular concerns that would impact their proposal(s).*

Please review PART 3 – Section L and Tables 4-1 and Table 4-2 of this PART 4 of the Prospectus for more detailed information on issues concerning existing facilities.

The past concession operations at Lake Berryessa offered a wide variety of public facilities and services servicing a relatively limited clientele. These facilities and services included:

- Lodging (i.e., cabins, motels, cottages)
- Food & Beverage Operations
- Limited Houseboat Rentals

- Small Boat Rentals
- RV Sites
- Campgrounds
- Retail Facilities
- Marina Facilities
- Dry Storage Areas

With the removal of the long-term private trailers, substantial areas primarily in preferred lakeside view locations will be available for concession contractors to utilize and develop for the short-term uses identified above. It is extremely important for Offerors to evaluate the existing conditions at the location(s) they are interested in submitting a proposal(s) upon for the provision of concession contractor services.

Following is a listing of Markley Cove's existing facilities and services provided. Except for Markley Cove, all other concession areas are to have all Fixed Assets and personal property removed. Please refer to Part 3 section R of this Prospectus for more information on the Markley Cove interim contract. Information on the facilities and services of past concession operations can be viewed by visiting the Lake Berryessa web site at <http://www.usbr.gov/mp/berryessa/Prospectus.html> and reviewing the extensive "Environmental Compliance and Facility Condition Assessment Report, Seven Concession Areas, Lake Berryessa, California" prepared by Kleinfelder. Further detail on each location can also be viewed at the same web site by opening the individual "Concession Rate Packages." The occupancy percentages indicated in the following list were provided by the individual concession contractors in 2005 as part of the information requested by Reclamation for the Rate Comparability Study. The following is a summary of existing facilities at Markley Cove for use in developing proposals.

### **Markley Cove Facilities**

- Lodging – 4-8 Park Models
- Camping (RV and/or Campground) – None
- Food & Beverage – See Retail Outlet
- Marina
  - Houseboat Rental – None
  - Infrastructure – (See "Environmental Compliance and Facility Condition Assessment Report")
  - Motor/Ski Boat Rental – A few fishing motorboat rentals
  - Slip Rental – 256 slips for rent with 154 of them covered, 100 percent occupancy, slips/docks are 4 to 10 years old, no utilities available for slips but there is a sewage pumpout station
  - Marine Fuel – Yes
  - Marina Store – Yes
  - Dry Storage – Yes, limited
  - Launch Ramp – Yes
- Retail Outlet – Yes, a store (gifts, snacks, boating supplies)
- Infrastructure – (See "Environmental Compliance and Facility Condition Assessment Report")
  - Water – Provide own from Lake.
  - Sewer – Ponds on the hill and pump station
  - Electricity – Commercial
  - Parking – There is a small/medium sized at the boat ramp
  - Roadways – Few roads, mostly to serve trailer area once beyond marina

Footprint available from departing private trailers – Markley Cove had a small number of trailers (49) in comparison to most of the other concession operations. The area that was devoted to trailers is very steep but with good views of the cove.

General information applicable to future use – Markley Cove is the smallest concession operation on Lake Berryessa. Because of the topography, it has limited opportunity for additional development beyond the store and marina operations.

Please visit the following website <http://www.usbr.gov/mp/berryessa/Prospectus.html> and under the heading for MAPS find the maps that correspond to Markley Cove. These maps present how the current concession operation is situated.

As identified earlier and mentioned in the preceding concession area synopses, it is important for prospective Offerors to review the applicable sections of the “Environmental Compliance and Facility Condition Assessment Report” for more detailed information on any existing concession facilities and the general condition noted at the time of that report.

Reclamation also intends to begin a major effort at improving government support facilities at Lake Berryessa including a more extensive trail system to eventually encircle the lake, including sections that pass through each concession area.

Businesses nearby on the access routes to Lake Berryessa tend to appear not very financially healthy, with the exception of storage yards and dry storage for boats and trailers. Several businesses have been shut down for years.

Reclamation strongly believes that the business malaise that exists both adjacent to and within many of the existing short-term facilities at Lake Berryessa is a symptom of facilities poorly maintained and the associated affiliation with the large, exclusive-use, long-term trailer installations as a business anchor. A large percentage of the traditional recreating public does not even visit Lake Berryessa because of the general lack of physical appeal of dated facilities and the fact that the trailer villages were sited on the prime lakeshore locations in nearly every existing concession area.

With new, better-sited facilities and business models that focus on the short-term user, the visitor profile will change significantly and be more representative of those Bay Area, Sacramento, and Northern California users who are already using numerous other reservoir areas around the north State located a significantly greater distance from population centers. Given the often-superior natural beauty and lake vistas in combination with new and improved facilities, Lake Berryessa should draw hundreds of thousands of new visitors and compete very successfully with areas such as New Melones, Don Pedro, the Sacramento/San Joaquin Delta, Shasta Lake, Trinity Lake, Lake Oroville, and others that are currently financially successful and draw heavily from populations much nearer and more convenient to Lake Berryessa. Proximity to Napa Valley attractions also provides a potential nexus that will eventually benefit new business models at Lake Berryessa.

## **B. No CONTRACTUAL RIGHT OF RENEWAL PREFERENCE**

The concession contractors that either had or currently have contracts at Lake Berryessa will not be given any preferences in regard to award of this contract or renewal of future contracts. Concession contractors of record who wish to be considered for new contracts must compete on an equal basis with all other parties submitting proposals.

## **C. FUTURE FACILITIES**

This section of PART 4 would normally describe the planned new or continuing concession facilities and any changes in those facilities that will either be required or allowed in the future. This section would also include a brief description of the facilities the new concession contractor will be responsible for maintaining and constructing. However, as outlined in the “Introduction to the Lake Berryessa Concession Prospectus” and in other areas of the Prospectus package, this opportunity is providing extremely flexible opportunities for Offerors to identify their own business models (within certain parameters); therefore the Prospectus is not identifying exact facilities to be retained or rehabilitated or new facilities to be built (see Sections L and N of PART 3 for more detailed direction).

Table 4-1 summarizes the minimum Base Services that Reclamation deems appropriate at each concession area. Table 4-2 summarizes the additional facilities and services identified in the FEIS and ROD to further promote year-round visitation. Cumulatively, these facilities and services are intended to assist in portraying an acceptable business mix for Lake Berryessa concession operations. Offerors that are submitting a proposal for multiple sites are encouraged to apply their knowledge and experience to expand, modify or exchange the types and level of services within each concession area to best meet Reclamation’s overall objective of expanding recreation management at Lake Berryessa to better serve the visiting public.

Offerors should assure that their planned facilities and services are compatible with the general direction provided in the Record of Decision as follows:

*Provide outdoor recreation facilities and services for the visiting public...which will accommodate a variety of aquatic-related recreation experience opportunities to the extent and quality that such combination will protect the aesthetic and recreational values and assure optimum short-term recreational use and enjoyment and social benefit.*

TABLE 4-1 – Lake Berryessa Base Services (minimum)

<b>Facilities and Services</b>	<b>Markley Cove</b>	<b>Steele Park</b>	<b>Spanish Flat</b>	<b>Lake Berryessa Marina</b>	<b>Rancho Monticello</b>	<b>Putah Creek</b>	<b>Lake-Wide Totals*</b>
Boat Launch, Restroom and Parking	1	1	1	1	1	1	7
Pleasure Boat Slip Rentals (each)	220	50	50	50	50	50	670
Private House Boat Slip Rentals (each)	30	0	0	0	0	0	75
Commercial House Boat Rentals (each)	0	0	0	0	0	0	75
Dry Boat Storage (units)	0	50	0	0	50	50	150
Marine Fuel (dock with 2 dispensers)	1	1	1	1	1	1	7
Fish Clean Station (each)	1	1	1	1	1	1	7
Day Use Areas (sites)	0	1	1	1	1	1	5
Retail Sales (each)	1	1	1	1	1	1	7
Camping Sites (each)	0	0	50	50	50	50	320
RV Sites (each)	0	40	10	10	20	50	155
Comfort Station (each)	0	2	2	2	2	2	12

\* includes services and facilities provided at Pleasure Cove

TABLE 4-2 – Lake Berryessa Additional Services (minimum)

<b>Facilities and Services</b>	<b>Markley Cove</b>	<b>Steele Park</b>	<b>Spanish Flat</b>	<b>Lake Berryessa Marina</b>	<b>Rancho Monticello</b>	<b>Putah Creek</b>	<b>Lake-Wide Totals*</b>
Food/Beverage (each)	1	1	1	1	1	1	7
Park Models (units)	5	10	3	3	10	3	47
Cabins (each)	0	10	3	3	10	3	42
Motels (each)	0	0-1	0-1	0-1	0-1	0-1	0-5
Lodges/Conference Facility (each)	0	0-1	0-1	0-1	0-1	0-1	0-5

\*includes services and facilities provided at Pleasure Cove

Note: It is important to have a thorough understanding of the existing facilities at Markley Cove and their physical condition to assist in the development of proposals that include the retention of any facilities (See the “Environmental Compliance and Facility Condition Assessment Report” on the Lake Berryessa web site identified earlier).

### Maximum Level of Services

The Offerors are encouraged to develop a proposal that provides more than the minimum Base and Additional Services. The criteria and guidance Offerors should utilize when developing their proposal to provide maximum level of services are described in the following paragraphs.

Maximum (watercraft) - The current boating capacity as reference in the ROD is 3,000 boats. Reclamation will consider distribution throughout all sectors of the lake and other lake-wide needs when evaluating proposals. Reclamation will further evaluate proposals to ensure adequate associated parking, number of boat launching lanes and other infrastructure as well as site conditions adequately support the number of boat slips. The lake currently has a limit of 150 house boats (75 private and 75 commercial rentals). Currently Pleasure Cove is permitted for 30 private house boat slips and 6 commercial house

boat slips of the 150 total available. At some point in the future Reclamation will conduct a Houseboat Capacity Study that may result in a different mix of private and commercial use and a greater or lesser total. When and if houseboat numbers and the private/commercial mix is re-determined, adjustments will be made if necessary and this possibility will be specified in the contracts of operators with houseboat operations.

Maximum (tent camping, RV sites) - The maximum number of campsites and RV sites Offerors may propose for each location may be determined by review and application of the Recreation Facilities Design Guidelines (RFDG) found at <http://www.usbr.gov/mp/berryessa/Prospectus.html>. These guidelines use standards adopted Reclamation-wide to determine acceptable spatial layout and organization.

Maximum (cabins, park models). The maximum number of cabins and park model units is constrained by the requirement that these units along with access roads and other supporting infrastructure be located above specific elevations. Please note: annual occupancy of cabins and park model is further limited to elevations required for various facilities.

## **D. CONCESSION FACILITIES IMPROVEMENT PROGRAM**

Again, as previously outlined, with the flexibility inherent in this contract, Reclamation is not specifying a building program; however, the proposed building and development programs of the various proposals will be an important part of the proposal evaluation as identified in PART 5 of this Prospectus. Once the best proposal(s) are determined for the six concession opportunities, Reclamation will develop wording for Section 4 of the contract based upon the winning Offeror's proposal. All Offerors should be aware that they will be expected to abide by any offers or programs proposed in their proposal, and if they retract or otherwise indicate an unwillingness to perform as proposed, that will be adequate reason to select another Offeror or to declare a default if a contract is already negotiated.

## **E. FUTURE SERVICES AND FACILITY AMBIANCE**

Future services are those proposed or necessary to operate the indicated visitor facilities at each concession location. Services will be provided, based upon the successful proposals, to the general public for the likely operation of campgrounds, RV parks, marinas, retail and food & beverage sales, and any other active commercial programs. Efforts to improve the quality of service beyond the existing levels are also an expected part of any likely winning proposals. Offerors need to make a strong effort to identify their proposed level of service and ambiance for each activity. Offerors should pay close attention and adhere to Reclamation's Concession Directives and Standards (LND 04-01, Sec. 3.B.8) that reads, "Facilities must be harmonious in form, line, color, and texture with the surrounding landscape." Reclamation retains the right to make final determination of disposition of architectural design and finish.

The following are examples of how some levels of service and ambiance might be described:

- Lodging (Cabins) – Cabin installations will include appropriate pastoral landscaping for the Lake Berryessa area; parking areas that do not detract from the experience or the cabin surroundings; separation between other structures for reasonable privacy; and furniture and amenity packages chosen with the purpose of establishing an ambiance that is uncluttered, relaxing, and fostering a quality customer experience expected when staying at a 'cabin in the woods.' Employees will be trained to recognize the expectations of guests in cabin facilities and project an attitude compatible with those expectations.

- Lodging (Motel) – The motel installation proposed is designed to have architectural components that separate it from typical commuter motels in normal developed commercial areas. The interior layout, furniture, and amenity packages will also re-enforce the area's theme and portray a relaxing but functional ambiance. Placement of parking, maintenance, and utility areas will be considered to assure that customers with rooms on the side opposite the lake will have a pleasing, non-industrial-type view. Employees will be trained to recognize the expectations of guests in the overnight facilities and project an attitude compatible with those expectations.
- Food & Beverage (Full Service Restaurant) – The restaurant facility will be architecturally designed internally and externally to project an ambiance that suggests an experience beyond the food and drink available. It links with the other services and facilities at this concession and provides guests with a comfortable and enjoyable introduction or closeout to a day at the lake. The menu will offer a variety of selections that feature 'California Cuisine' adapted for the likely recreational clientele at Lake Berryessa. Employees will be trained to recognize the expectations of dining guests and family groups and project an attitude compatible with those expectations.
- Marina Operations – All marina facilities will be easy to access without unreasonable transitions from one walking surface to another. Facilities will be attractive without unsightly hoses, lines, or equipment in seeming disarray that detracts from the appearance or an efficient operation. Procedures and equipment will be designed to effectively handle water fluctuations and the need to adjust the position of the floating facilities. There will be no unenclosed foam flotation utilized on any of the docks. Wastewater pump-out facilities will be available at no charge at a public-use dock facility. Employees will be trained to recognize the expectations of marina users and project an attitude compatible with those expectations.
- Retail Operations – All retail sales areas will be designed to be architecturally compatible with other facilities. The inside sales area will not be cluttered and will permit access throughout the store to disabled shoppers who may be using a wheelchair, scooter, or walker. Employees will be trained to be knowledgeable regarding the retail items sold and able to assist guests in finding the items they need.
- Other Operations – Similar descriptive wording to the preceding samples. Exact services and level of ambiance will be determined as identified elsewhere through the proposal process.

Offerors do not have to consider all business activities as necessary for operation. Suggested seasonal or limited services for certain times of the year will not be considered as a less-desirable proposal but a reasonable identification of less or no demand at certain times of the year for particular services. Lengthening or shortening of original dates of operation will be possible based on actual business patterns observed and following discussion with Reclamation.

Special interpretive and recreation programs that would enhance visitors' educational and recreational experiences and be consistent with Reclamation objectives, resource preservation and protection standards, and safe use of the Lake Berryessa resources are permitted and encouraged. Boating safety, fishing contests, history and cultural programs (Native Americans, pioneers, wine industry, etc), and similar interpretive presentations are examples of activities that would be appropriate for Lake Berryessa.



## **F. BASIC FINANCIAL INFORMATION**

Because of the nature of this Prospectus and eventual contracts outlined in the Introduction and the other sections of the Prospectus, Reclamation is not providing any gross revenue projections as is normally the approach. In typical Prospectus opportunities, the entire business model is essentially complete and identified in the Draft Contract and other Prospectus sections. The many possible variations and combinations of business activities fostered by the approach in this Prospectus preclude Reclamation from providing any meaningful financial Pro Formas. As part of the planning process, Reclamation did complete an economic feasibility analysis for one scenario that demonstrated a satisfactory opportunity for financial success. As a part of the analysis and evaluation of proposals, Reclamation will have a ‘subject matter expert’ as part of the team who is qualified and has experience in reviewing economic feasibility within the Hospitality and Commercial Recreation industries. Offerors should understand that proposals evaluated and found to have financially unreasonable projections may be determined to be non-responsive. Reclamation strongly believes that upgrades of existing facilities and development of new facilities serving the visiting public will result in a significant increase in use and associated revenue at Lake Berryessa. Future business growth at Lake Berryessa is especially likely when potential Offerors consider the choice location and natural beauty in relation to the geographic population centers of Northern California.

**Offerors proposal should demonstrate a complete recovery of investment with profit during the term of this contract. This is important because there is no assurance that the concession operation will continue after the expiration of the contract. Proposals will be evaluated in part based on how the Offerors present the cost recovery and profit.**

## **G. ENVIRONMENTAL MANAGEMENT**

The new concession contractor(s) will develop, document, implement, and comply fully with a comprehensive written Environmental Management Program (EMP) to achieve the environmental management objectives as per the concession contract Section 3. The proposed EMP will become final once the submitted plan from a successful Offeror is approved by Reclamation. The EMP will be updated and submitted for approval annually. The draft EMP submitted by Offerors will be a part of the proposal evaluation criteria outlined fully in PART 5 of this Prospectus.

In evaluating the existing conditions that may impact Offerors in regard to this section, it would be advisable to again review the “Environmental Compliance and Facility Condition Assessment Report” on the Lake Berryessa Prospectus web site.

## **H. RISK MANAGEMENT PROGRAM (SAFETY)**

The new concession contractor(s) shall be required to provide a safe and healthful environment for all employees and visitors. The concession contractor must meet the risk management performance standards as described in the concession contract (Section 3.O) and develop a Risk Management Program in accordance with these standards. One requirement of the performance standards is that the concession contractor performs annual or as necessary self-inspections to ensure compliance with all applicable health and safety regulations and standards. The concession contractor must also provide appropriate training for employees and staff as set forth in the risk management plan.

## **I. MAINTENANCE**

The new concession contractor(s) will be assigned lands that are necessary for the concession operation. These lands and facilities must be maintained in a manner acceptable to Reclamation. The new concession contract(s) will specify the concession contractor responsibilities for maintenance, repairs, housekeeping, and grounds keeping of all concession facilities and lands assigned. The standards and minimum requirements are established in the Maintenance Plan, Exhibit F to the draft contract (PART 6.F of this Prospectus), which the concession contractor must agree to in order to have a responsive proposal. In the proposal, the Offeror(s) must submit clarifications and additions to the Draft Maintenance Plan that are consistent with their specific proposal in this flexible Prospectus and in general compliance with Draft Concession Contract (Section 4.I and Exhibit F). The proposed additions or changes must be approved by Reclamation before being included in the final concession contract. Some of the points will await final negotiation and determination by Reclamation once the successful Offeror(s) are identified. The response to the maintenance needs inherent in the concession operation(s) and the identified documents will be a part of the proposal evaluation criteria outlined in PART 5 of this Prospectus.

## **J. OPERATING PLAN**

Offerors must submit, as part of their proposal to this Prospectus, additions or changes to the Draft Contract Exhibit G (Operating Plan) that are consistent with the concession contract and that apply directly to their unique proposal on one or more locations at Lake Berryessa. The Draft Operating Plan (PART 6 – Exhibit G) presented in this Prospectus should serve as a template for preparing the actual proposed plan. The ‘template’ provides applicable standards of operation for various departments, i.e., lodging, marinas, food & beverage, retail, etc. that should apply to the specific plans to be proposed by individual Offerors.

## **K. RESERVE ACCOUNT FOR FACILITIES IMPROVEMENT**

A typical Reserve Account for Facilities Improvement (RAFI) is briefly discussed below and in more detail in PART 6 – Exhibit K of this Prospectus. This is another area of the Prospectus that is impacted by the flexible proposal approach identified throughout the Prospectus. Reclamation believes strongly that a contract instrument that accomplishes or assures the goals of the described RAFI is necessary, and it is unlikely that any Offeror will be successful without proposing such an approach or some type of meaningful substitute; however, since the exact type of an eventual required Capital Improvement Program is to be determined by the proposals received in response to this Prospectus, Reclamation will consider proposals for other instruments or approaches that similarly assure the long-term financial support for necessary major repairs and specially approved maintenance projects. The following is a presentation in the standard Prospectus wording outlining a RAFI for Offerors to review and utilize:

Funding for routine, day-to-day maintenance will be covered by the Concession Contractor’s operating expenditures. However, funding for projects that qualify as concession capital improvements will come from a RAFI established and maintained by the Concession Contractor and to which the Concession Contractor will make monthly or annual deposits. It would be preferable to specify such improvements in a capital improvement program prepared as part of the Offeror’s feasibility study before issuing the concession contract. However, if a specific capital improvement plan is not prepared in advance of entering into the concession contract, Concession Capital Improvements will be specified during the term of the concession contract, for which funds will be drawn from the RAFI. In many instances throughout the business community, this type of a fund is known as a ‘Maintenance Reserve Account.’

The new concession contract normally requires that the Concession Contractor establish and maintain a RAFI as a percentage of gross receipts (see contract exhibit H [Improvement Project Procedures] and contract exhibit K [Reserve Account for Facilities Improvement] in the Draft Concession Contract). This reserve account will be used as approved and/or directed by Reclamation for major capital improvements as well as for special repair and maintenance projects — namely, those that are nonrecurring within a 7-year time frame such as foundation replacement, electrical, plumbing and heating systems, or roof replacement. The RAFI will not be used for routine repairs or maintenance — that is, repairs and maintenance that normally recur within a 7-year time frame; therefore, the amount of funds available in the RAFI will not limit in any way the responsibility of the Concession Contractor to perform routine repair and maintenance functions or to carry out necessary major repairs if the RAFI does not provide adequate funding and its housekeeping and ground-keeping responsibilities (see the description of RAFI in PART 6 Exhibit K of this Prospectus).

## **L. SUPPLEMENTAL SURCHARGE**

Reference PART 3, Section O, Reclamation anticipates that during the term of this concession contract, the Concession Contractor will find it necessary to pay additional costs for ongoing and additional services to be provided or required by Napa County and/or other state or local government entity or agency that are necessitated by the use, rights and privileges granted under this concession contract, which are not presently identifiable, and the Concession Contractor agrees to pay such costs deemed appropriate and approved by Reclamation. Such fees, charges, and assessments, (“charges”) and required actions may include, but are not limited to, charges for the installation, modification, and or expansion of water and sewer systems, emergency and fire services, law enforcement services, road improvements, environmental and water quality compliance actions, and other activities.

Reclamation has determined that such costs are a necessary expense of this concession contract and as such, the Concession Contractor shall collect additional revenues during the term of this concession contract to offset such costs. The Concession Contractor will begin to collect a supplemental 5% surcharge within 90 days of the effective date of this concession contract, on all goods it sells (excluding gasoline and diesel fuel) and on all services it provides for which it is not required to pay a Transient Occupancy Tax as defined by applicable county ordinance.

The Concession Contractor shall deposit all supplemental surcharge funds it collects in a separate, interest bearing, federally insured, Supplemental Surcharge Account (Account) as part of its gross revenue to be maintained by the Concession Contractor. Surcharge funds will not be commingled with other accounts established under this concession contract or with any other Concession Contractor funds. The Concession Contractor will directly pay the applicable government entity or agency for any services provided to or charges or required actions levied on the Concession Contractor deemed appropriate and approved by Reclamation in consultation with the authorized government or agency representative.

The amount of the supplemental surcharge shall be reviewed every 3 years to determine whether it should be increased or decreased to enable the Concession Contractor to collect the appropriate amount of funds needed to pay for the services or charges or required actions as defined above. At each 3-year review, the Concession Contractor shall provide a 3-year projection for all sales for which the surcharge applies, and any known or proposed required payments for charges and ongoing and additional services or required actions. The Concession Contractor will propose to Reclamation for approval the appropriate rate for the surcharge necessary to cover such expenses. After the 3-year review, any funds over \$50,000 left in the account in excess of known or expected services or charges or required actions shall be deposited in the RAFI account established in section 4.I. and treated as RAFI funds until expended unless such funds are

otherwise needed for outstanding or anticipated payments for charges and other required services or actions.

Any supplemental surcharge funds not duly expended by the Concession Contractor by the end of this concession contract shall be the property of the Concession Contractor unless there are approved or otherwise required charges, services, or actions previously identified for payment in advance of contract expiration that have not been paid. If the Concession Contractor is also the succeeding Concession Contractor then the surcharge funds that are unexpended during the term of this concession contract will apply to the initial surcharge funding established in the next contract less the estimated costs of any required payments.

In the event of termination or expiration of this concession contract, any unexpended surcharge funds shall be deposited into the RAFI account.

The financial reporting for the Account will be performed in accordance with Section 8 and Exhibit J of this concession contract.

## **M. UTILITIES**

Reclamation will not be providing any utilities to the concession operations at Lake Berryessa. The existing and past operations have obtained their utilities as follows:

### **LAKE BERRYESSA UTILITIES**

#### **Markley Cove**

Potable Water	Operate own water system
Sewer	Operate own sewage treatment system/pond
Electricity	Commercial – PG&E
Garbage	Commercial pick up – Berryessa Garbage

#### **Steele Park**

Potable Water	Napa Berryessa Resort Improvement District
Sewer	Napa Berryessa Resort Improvement District
Electricity	Commercial – PG&E
Garbage	Commercial pick up – Berryessa Garbage

#### **Spanish Flat**

Potable Water	Spanish Flat Water District
Sewer	Operate own sewage treatment system/pond
Electricity	Commercial – PG&E
Garbage	Commercial pick up – Berryessa Garbage

#### **Lake Berryessa Marina**

Potable Water	Operate own water system
Sewer	Operate own sewage treatment system/pond
Electricity	Commercial – PG&E
Garbage	Commercial pick up – Berryessa Garbage

#### **Rancho Monticello**

Potable Water	Operate own water system
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Sewer	Operate own sewage treatment system/pond
Electricity	Commercial – PG&E
Garbage	Commercial pick up – Berryessa Garbage for household garbage
Putah Creek Resort	
Potable Water	Operate own water system
Sewer	Operate own sewage treatment system/pond
Electricity	Commercial – PG&E
Garbage	Commercial pick up – Berryessa Garbage

All the potable water is pumped from the lake and treated.

All Offerors should review the “Environmental Compliance and Facility Condition Assessment Report” as it applies to Markley Cove and consult with applicable regulatory agencies. It is especially important that Offerors consider their planned approach for delivering potable water and handling sewage.

Reclamation strongly encourages that Offerors consult with Napa County Department of Environmental Management, and the Central Valley Regional Water Quality Control Board about acquiring permits to operate water and wastewater systems.

Since new facilities are necessary in several concession areas, Offerors should consider the applicability of (1) combining systems for multiple operations or (2) if a single Offeror is selected, to operate multiple locations the development of a multi-location water or wastewater system(s). In some cases, new discharge permits may take up to 2 years to obtain. The Offerors address of water and waste water issues will be one of the factors closely reviewed in the proposal evaluation process by Reclamation.

## **N. Underground Storage Tanks**

Putah Creek, Rancho Monticello and Steele Park are currently being monitoring an/or mitigated for past violations regarding underground storage tanks. Reclamation does not have any knowledge of any remaining underground tanks. New development in the immediate mitigation area may not be possible until complete remediation has been accomplished. Exact impacted areas will be identified during the site visits.

## **O. LENGTH OF TERM AND EFFECTIVE DATE OF NEW CONCESSION CONTRACT**

The length of term of any contract outlined in this Prospectus is 30 years. Reclamation will have the option to consider one additional ten year option period dependant upon various parameters, including but not limited to: the useful life and condition of the Concession Contractor Improvements, compliance with contract terms, recreational demands and Solano Project operations constraints and/or modifications.

The effective dates for a new contract(s) may also vary and will initially be a factor of the expiration date of the existing concession operations bid upon. Ideally, if a contract is expiring on the 15th of a particular month, the new contract will begin on the 16th of the same month; however, the overall complexity of this Prospectus and the potential for a single Offeror to successfully compete for more than one operation may lead to adjusted dates following final negotiations and combined contracts.

## **P. FRANCHISE FEE**

A franchise fee is a payment to the Government that is considered a direct return to the Government upon consideration of the probable value to the concession contractor of the use, rights, and privileges granted by this concession contract. Such probable value shall be based upon a reasonable opportunity for net profit in relation to capital invested and the obligations of the concession contract.

This is another area in this Prospectus and the eventual contract that 'is to be determined' based upon the proposals received. In most Prospectuses, the franchise fee already has a pre-determined minimum based upon the anticipated investment, level of projected business, and contract length. The minimum that can be bid in response to this Prospectus is one percent (1%) of gross. Offerors are expected to propose a franchise fee level as a part of their proposal. Note that in Part B of PART 5 of this Prospectus that Principal Factor No. 5 concerns the franchise fee proposed. Offerors will be evaluated in comparison to one another and in relation to the minimum acceptable franchise fee of 1% and that rating will result in a numerical score that will become a part of their overall bid score in response to the Prospectus. The 'overall bid score' is the sum of all the possible 'value points' among the five Principal Factors outline in Part B or PART 5 of this Prospectus. Unless there is other significant issues or impacts, i.e. being determined non-responsive or having past disqualifying occurrences or situations this overall bid score will be the determinant of whether an Offeror is successful. The final franchise fee bid is one of the five factors considered so it is important for Offerors to give careful thought to whether they believe the 1% minimum will be their position. Not only do Offerors need to propose a franchise fee approach, but they also need to provide a well-developed and defensible discussion on how and why they arrived at their position. Reclamation will consider a wide range of franchise fee approaches including a tiered system where fees increase when certain revenue targets are reached or even 1% if properly supported. A tiered approach may provide concession contractors to minimize their risk at the start, and will eventually bring more adequate revenues to the Government as gross sales increase. Reclamation recognizes the importance for business operators to establish business models that present an opportunity and expectation of reasonable profit and when evaluating the proposed franchise fees the reasonableness of projected profits in comparison to other similar businesses in the recreation hospitality industry will be a consideration.

Franchise fees due the Government are secondary in importance to the appropriate development of facilities, provision of services to the public, and a reasonable opportunity for a concession contractor to realize a profit. Reclamation recognizes that there will be demands on a new concession contractor to provide funding for various improvements that will be proposed by any successful Offeror(s). Everything being equal between two proposals, a higher franchise fee will be considered a superior proposal than a lower fee. Reclamation will very closely review franchise fee proposals in conjunction with the overall financial pro-formas submitted in response to this Prospectus. Proposals that are judged to be unsupportable or economically infeasible may be found non-responsive in total or at the least be rated much lower than proposals judged to be economically reasonable.

The issue of franchise fees is very complex and tied in with all other segments of the proposal that have an impact on investment and/or revenue. Very detailed consideration and position development by all Offerors is necessary in arriving at their proposed franchise fees.

## **Q. PERSONAL PROPERTY**

A new concession contractor is not required to purchase personal property from the previous Concession Contractor but may wish to do so if it can reach agreement with the previous Concession Contractor on

terms that are mutually acceptable. Reclamation will not be involved in any such transaction. The property purchased and the transaction prices will be entirely up to the buyer and seller. The fact that the final purchase price may be greater than estimated by an Offeror will not be grounds for adjustment of the terms of the concession contract or other financial relief to the new concession contractor.

## **R. POTENTIAL CONTRACT ADJUSTMENT**

Although it should be assumed that the site will be ready for immediate development, there may be a need to consider previous Concession Contractor's non-compliance, unforeseen expense or loss of revenue to the successful Offeror as a result of additional site preparation at the time of contract award not reflected in the Offeror's pro-forma. Reclamation may consider an adjustment to contract terms that properly recognize and consider those additional expenses or loss of revenue. Availability of individual concession areas in relation to proposed development plans will be addressed during contract negotiations with successful bidders.

## **S. RELEVANT RECLAMATION CONCESSION POLICY AND DIRECTIVES AND STANDARDS**

See PART 6 – Exhibit L of this Prospectus for the applicable Directives & Standards.

## **T. SITE VISITS**

Informational briefings and site visits will be held according to the following schedule:

June 3, 2009

10:00 a.m. – Introduction to visits of the day and ground rules (Lake Berryessa HQ)  
Putah Creek Tour  
Rancho Monticello Tour  
Lake Berryessa Marina Tour  
Spanish Flat Tour  
Questions/Answers re: Prospectus and Tours (Spanish Flat)

June 4, 2009

10:00 a.m. – Introduction to visits of the day and ground rules (Lake Berryessa HQ)  
Steele Park Tour  
Markley Cove Tour  
Questions/Answers re: Prospectus and Tours (Markley Cove)

June 5, 2009

10:00 a.m. – Introduction to visits of the day and ground rules (Lake Berryessa HQ)  
Pick up tours  
Questions/Answers re: Prospectus and Tours (HQ)

The above tour schedule may require adjustment in the field based on actual time frames, but the intent is to accomplish the indicated tours and meetings during the days specified even if it requires later hours.

Any information provided during the site visit or at any other time must be made available to all Offerors. During the meetings before and after the site tours, Reclamation will provide someone to capture all of the questions and answers for later transcription. Any questions asked and the answers given must be

presented to all Offerors. Reclamation will be careful in answering some questions during the tours if it seems that the question and the answer cannot be appropriately captured. Similarly, questions will not generally be answered on the telephone but will require a written request (e-mail is OK) and written response from Reclamation. In order to not be an obstruction, Reclamation may elect to answer some clarifying questions that do not seem to present any benefit to the asker as it applies to the proposal process; however, the determination as to what is and is not 'clarifying' will be made by Reclamation at the time a question is posed.

Please review PART 3 – Section B regarding the scheduled 'midstream' Prospectus meeting scheduled for June 29, 2009 at the Lake Berryessa Reclamation Office.

**The easiest way to avoid any potential problem is to put all information and answers to any question in writing, making sure this information is received by all Offerors.**